

MAY 13, 2015

CARE ASSIGNS 'CARE BBB-(SO)' RATING TO THE BANK FACILITIES OF HOME CREDIT INDIA FINANCE PRIVATE LIMITED

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities @	176	CARE BBB-(SO) [Triple B Minus (Structured Obligation)]	Assigned
Long-term Bank Facilities #	224	'In Principle' CARE BBB- (SO) [Triple B Minus (Structured Obligation)]	Assigned
Total	400		

@backed by the corporate guarantee from Home Credit B. V.

#proposed to be backed by the corporate guarantee from Home Credit B. V.

Rating Rationale

The ratings assigned to the bank facilities of Home Credit India Finance Pvt. Ltd. (HCIF) factor in the corporate guarantee provided (proposed to be provided) by the ultimate holding company, Home Credit B. V. The ratings also factor in the strong parentage and support from the parent group, experienced management team, consistent equity infusion by the promoters, comfortable capitalization levels and automated risk monitoring & appraisal system.

The ratings, however, are constrained by the nascent stage of operations as reflected through relatively small scale and continued losses booked by the company on account of high operating cost. The ratings also factor in the exposure to risky borrower segment, low product diversification, moderate asset quality and moderate resource profile.

Improvement in the scale of operations while maintaining the asset quality and capitalization levels along with continued support from the promoters would be the key rating sensitivities.

Background

HCIF was incorporated in October, 1997 as Rajshree Auto Finance Pvt. Ltd. In 2012, the company was acquired by the Czech Republic based Home Credit Group for their entry into India market and subsequently on June 5, 2013, the name was changed to its present name. HCIF is a Non-Deposit taking NBFC (Non-Banking Financial Company) registered with Reserve Bank of India (RBI). The company is engaged in providing loans to the retail segment for two wheelers and consumer durables (mainly mobile phones, laptops and tablets). HCIF operates through POS (Point Of Sale) model and currently has about 1,300 POS in India. As on December 31, 2014, HCIF has around 1,21,000 customers with loan book size of about Rs.190 crore and employs about 2,000 people in India. The company currently operates in six states viz. Punjab, Rajasthan, Haryana, Maharashtra, Uttar Pradesh and Delhi NCR.

Home Credit Group is one of the leading multi-channel providers of consumer finance in Central & Eastern Europe (CEE) and Asia.

During FY14, HCIF booked net loss of Rs.61.74 crore (net loss of Rs.29.96 crore in FY13) on total income of Rs.33.71 crore (Rs.5.71 crore in FY13). On a provisional basis HCIF booked net loss of Rs.65.96 crore on total income of Rs.51.20 crore in 9MFY15.

About Guarantors

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Home Credit B.V. (HCBV) the ultimate holding company of HCIF has provided corporate guarantee to the lenders of HCIF. The corporate guarantee is provided to the bankers, which in turn have issued Standby Letter of Credit (SBLC) against those corporate guarantees. Indian branches of these banks have issued facilities to HCIF against those SBLCs.

HCBV is the part of PPF Group N.V. The PPF Group is being led by the Czech founder and majority shareholder MrPetr Kellner. PPF Group has investments in banking and financial services, telecommunications, insurance, real estate, energy, metal mining, agriculture, retail and biotechnology.

HCBV (along with its subsidiaries) is one of the leading multi-channel providers of consumer finance in Central & Eastern Europe (CEE) and Asia. HCBV is based out of Amsterdam, Netherlands. Established in 1997, HCBV is having presence in the Czech Republic, Slovakia, Russia, Belarus, Kazakhstan, China, Vietnam, India, Indonesia and Philippines. The company has around 58,700 employees serving about 43 million customers across geographies.

On consolidated basis, HCBV has booked total operating income of 2,542 million euros (previous year 1,773 million euros) and net profit of 324 million euros (previous year 506 million euros) for the 12 months period ended December 31, 2013. The reported networth of HCBV (consolidated) was 1,138 million euros as on December 31, 2014 (1,437 million euros as on at December 31, 2013).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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